DCMC-O

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE (ACQUISITION, TECHNOLOGY AND LOGISTICS)

PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE
(ACQUISITION AND TECHNOLOGY)
DIRECTOR, DEFENSE PROCUREMENT
DEPUTY UNDER SECRETARY OF DEFENSE
(ACQUISITION REFORM)
DEPUTY UNDER SECRETARY OF DEFENSE (LOGISTICS)
ASSISTANT SECRETARY OF THE ARMY (ACQUISITION,
LOGISTICS, AND TECHNOLOGY)
DIRECTOR, BALLISTIC MISSILE DEFENSE
ORGANIZATION

ASSISTANT SECRETARY OF THE NAVY (RESEARCH,
DEVELOPMENT AND ACQUISITION)
ASSISTANT SECRETARY OF THE AIR FORCE
(ACQUISITION)

SUBJECT: Single Process Initiative (SPI) Quarterly Report, December 1, 1999 - February 29, 2000

This is the second SPI Quarterly Report of FY 2000. This report is released in conjunction with the quarterly SPI Executive Council meeting to be held March 27, 2000. The next SPI Executive Council meeting will be June 22, 2000. The next quarterly report will cover the months March through May.

Our report provides highlights of the significant activities for the Corporate Management Councils, SPI Center, and other acquisition related items. More detailed information is available at the DCMC home page under Centers of Excellence, "Civil Military Integration (SPI)." (http://www.dcmc.hq.dla.mil/).

Please send any comments on this report to Ms. Stephanie Strohbeck, SPI Center at (703) 767-2471.

TIMOTHY P. MALISHENKO Major General, USAF Executive Secretary, SPI Executive Council

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Single Process Initiative (SPI) Quarterly Report December 1, 1999 --- February 29, 2000

Executive Summary

This report summarizes the Civil Military Integration (CMI) and Single Process Initiative activities since December 1, 1999. The report includes notification of the March 27, 2000 SPI Executive Council meeting and the meeting's agenda topics. Additionally, the report provides summaries of issues being discussed at the various Corporate Management Councils and addresses SPI Center activities. Activities include: the third SPI Recognition Awards Ceremony, Strategic Supplier Alliance activity, presentations made by the DCMC SPI Center, the Aerospace Industries Association Supplier SPI Working Group, and the SPI Workshop Recommendations. Finally, this report shares news about two SPI related acquisition reform efforts.

Upcoming SPI Executive Council Meeting

The next meeting of the SPI Executive Council is on March 27, 2000. Topics to be discussed are Specifications/Standards (Integration of Acquisition Reform with Reprocurements) Process Action Team, DLA/Honeywell (Allied Signal) Rapid Improvement Team (RIT) Update, Consideration and Paid Cost Rule, Packaging Pilot Program, Government and Industries Supplier Management Comparison Study, and SPI Workshop Recommendations. Minutes from previous meetings are at:

http://www.dcmc.hq.dla.mil/dcmc_o/oc/Spi/files/minutes/991213.htm#minutes.

Corporate Management Councils

Raytheon Corporate Council

The most recent quarterly meeting was held on January 19, 2000 in Tucson, AZ. The key issue discussed was the revised council structure that will be implemented as a result of the newly announced Raytheon reorganization. Other agenda topics included discussions on the company's circuit card assembly center of excellence concept, integrated digital environment activities, current issues affecting property control, environmental safety plans, strategic alliances, and the status of current SPIs. The next Corporate Council meeting, which is scheduled for April 27, 2000, will be held in Lexington, MA.

Lockheed Martin Corporate Management Council

The quarterly meeting, which was scheduled for January 26, 2000, in Crystal City, VA, was cancelled due to inclement weather. Among the agenda items that were scheduled to be discussed were elimination of the paid cost rule, enterprise resource planning, the commercial pilot plant initiative, integrated digital environment, software reviews, and SPI status. It is anticipated that the cancelled meeting will be rescheduled in the near future.

SPI Center

SPI Recognition Awards Ceremony on May 5, 2000!

A ceremony will be held at the Headquarters Complex, Fort Belvoir, VA, to recognize continued successes. There are five categories of awards: 1) Management Councils for Civil Military Integration Progress, 2) Acquisition Pollution Prevention Activities, 3) Supplier Mentoring, 4) Geographical Contract Administration Offices (CAOs) for Increasing Participation, and 5) Government and Industry Individuals for Significant Contributions. The creation of the individual category was recommended at last summer's SPI Workshop and was embraced by both Government and industry as shown by the endorsement of 29 individuals for recognition! Dr. Jacques Gansler, Under Secretary of Defense (Acquisition, Technology, and Logistics) and Mr. John Douglass, President, Aerospace Industries Association, have been invited as speakers.

Strategic Supplier Alliance Agreements Being Developed

DCMC is encouraging their CAOs to get started on formulating ideas, and ultimately establishing alliances, with their contractors and customers through their Management Councils. Initial pilot efforts underway include the following:

- Rockwell Collins -- Management Council members signed their first Strategic Supplier Alliance for Commerciality Determinations at their January 19, 2000 meeting. They are developing a multi-faceted Strategic Alliance for the movement toward commercial practices.
- Honeywell (AlliedSignal) -- Sites are currently being selected and an implementation plan
 defined for deploying the Quality Assurance process identified through a Joint
 DoD/Honeywell/DCMC sponsored Rapid Improvement Team (RIT) effort held 15-17
 December 1999 at DSMC.
- Goodyear Tire Co. -- Goodyear proposal for new, more efficient ordering and payment process is being reworked based on a customer (TACOM) change from Direct Vendor Delivery (DVD) to a bulk ordering process. DFAS is a key alliance partner.
- **Raytheon Company** -- There are two different alliance approaches under development through this Corporate Council. One concerns parts control and the other is a company-wide environmental handling/tracking system.

Civil Military Integration Presentation at DCMC Group Leaders' Conference

A CMI Workshop was given to the DCMC CAO Technical Assistance Group Chiefs and Operations Group Chiefs during the February Group Leaders' Conference. Topics covered were Civil Military Integration, Strategic Supplier Alliances and the Single Process Initiative. Attendees received information addressing what are CMI and Strategic Supplier Alliances, why are we doing CMI and Strategic Supplier Alliances, who does CMI and Strategic Supplier Alliances and how, and where SPI is going from here. The workshop generated much discussion and many ideas that will positively effect our CMI activities. A copy of this presentation can be found at http://www.dcmc.hq.dla.mil/ref_info/groupleaders/conpresn.htm

SPI Center Laws and Regulations Update

The SPI Center was able to disposition several outstanding Law and Regulatory change concept papers in February 2000. DCMC issued four <u>Information Memoranda</u> on: waiver authority for Cathode Ray Tube (CRT) certification requirements, elimination of offerors requirement for written Clean Air and Water Certifications, proposals requesting to increase the Truth in Negotiation Act (TINA), and reduction of post-award notification subcontractor Cost Accounting Standards (CAS). The memorandums requested DCMC CAOs take appropriate action to close out these items with the contractor.

Aerospace Industries Association (AIA) Supplier SPI Working Group

The last meeting was held on February 3-4, 2000. Representatives from AIA, Boeing, EFW Inc., Fairchild Fasteners, Honeywell, Kaman Aerospace Corporation, Lockheed Martin, Northrop Grumman, Raytheon, Rockwell Collins, and United Defense attended the meeting. Topics discussed included:

- Industry Standards The group developed a preliminary list of industry standards to replace military specifications and standards in subcontracts. AIA will finalize the list before the next meeting.
- Commercial Item Designations
 - Honeywell proposed using SPI to facilitate consistent commercial item designations within prime contractors' buying activities. Lockheed Martin, Northrop Grumman, and Boeing encouraged Honeywell to submit a concept paper to them on this proposal.
 - Lockheed Martin has drafted a template to standardize prime contractor requirements from subcontractors for commercial item determinations.
- Supplier SPI Program Implementation Handbook The group is developing a handbook to help contractors establish or improve their processes for soliciting, receiving, and approving supplier SPIs. The handbook will compliment the template already developed by the working group.
- Reprocurement The group reviewed a white paper on reprocurement issues. This issue was highlighted as a problem area during the SPI Workshop. AIA plans to submit the white paper to the DCMC Commander.

Ms. Robin Schulze, DCMC SPI Center, presented a status of the recommendations from the SPI Workshop. The next meeting is scheduled for April 13-14, 2000.

Commercial Designations IPT

The IPT analyzed DD 350 data from 1997 through 1999 for 14 Federal Supply Classes (FSCs) and canvassed industry associations for their experience with inconsistent commercial designations. The report is now complete and includes the following findings:

- Drafted letter to clarify existing policies as they relate to misunderstandings and confusions.
- Drafted letter that will provide departmental guidance to the Services/Agencies directing them to enforce the use of Commerce Business Daily Note 26.

• A Rapid Improvement Team, led by the Army, has been formed to address a migration path for FAR Part 12 items.

SPI Workshop Recommendations

A SPI Management Team (SPIMT) sub-group, composed of the OSD (AR), Service, DLSC, DCAA, DCMC, and DSMC workshop champions, has been chartered to implement workshop recommendations. This SPI Workshop Recommendations Implementation Team meets regularly and provides implementation status monthly. On January 24, 2000 this team provided DUSD (AR) a progress report on actions taken in response to recommendations from the workshop. DCMC will provide an updated progress report at the March Executive Council meeting. The team has implemented some improvements based on the workshop recommendations. A real-time status of each recommendation can be found on the <u>SPI Workshop Recommendation Web Page</u>.

DCMC One Book Revision

Based on recommendations received from the SPI Workshop, SPIMT, and DCMC field representatives, the DLAD 5000.4, Contract Management (DCMC One Book), SPI chapter will be extensively revised. Additionally, a Guidebook on Concept Papers will compliment the SPI One Book chapter and will assist in contractor submission and government review of SPI concept papers.

Related Reform Notes

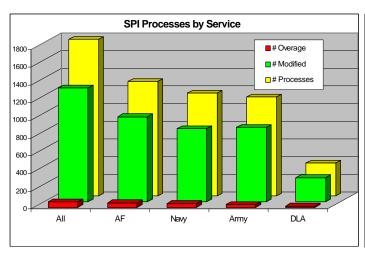
Air Force Policy

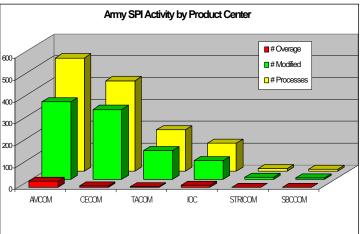
The Air Force published SAF/AQ Acquisition Policy 99-02, "Corporate Councils," and formally appointed Air Force Component Representatives for the AlliedSignal, Boeing, Lockheed Martin, Northrop Grumman, and Raytheon Corporate Councils. SAF/AQ Acquisition Policy 99-02 implements the USD (A&T) memorandum, "Corporate Councils." It directs that Air Force Program Executive Officers (PEOs) and Designated Acquisition Commanders (DACs) provide resources to support Corporate Councils and provides Air Force specific implementation guidelines. It is available on the SAF/AQ SPI web page at http://www.safaq.hq.af.mil/acq_ref/spi/spitable.html.

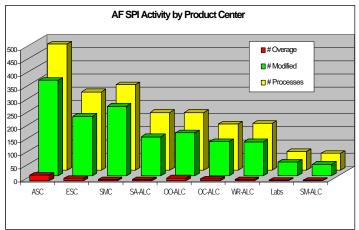
OSD Supply Chain Management Vision Working Group

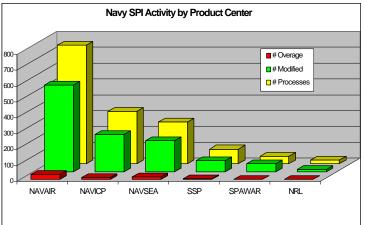
The group completed the draft report titled "Supplier Partnerships in 2010: A DoD/Industry Vision." The group plans to finalize the report on March 29, 2000. The report describes the form supply chain management might take in the next decade, the benefits and challenges that face industry, and what DoD must do to benefit from the fundamental change in supplier partnerships.

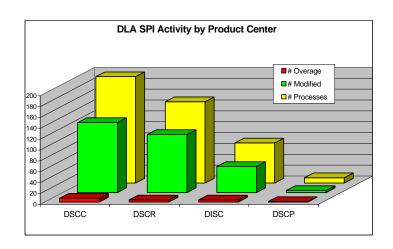
SPI Demographics By Service and Buying Office Quarterly Report, Period Ending February 29, 2000













Appendix B: As of February 29, 2000

	Contractor Facilities:	331
	Top 200 Corporation Facilities:	169
	International Facilities:	15
	Total Proposed Process Changes:	1773
	Found Technically Unacceptable:	70
	Processes Withdrawn/Disapproved:	354
	Total Block Change Modifications:	1288
	Average days from Submittal to Modification:	143
	Total Open:	131
	* Total Open Aged Over 120 days:	60
Proposal	Total Under Development/Awaiting Initial Acceptance:	29
Development (30 Days)	Total Under Development for More than 30 Days:	29
Approval (60 days)	Total Under Review for Approval:	43
	Disagreements/Problems Escalated:	28
	Total Under Review for More than 60 Days:	24
Modification (30 days)	Total Awaiting Contract Modification:	59
	Total Awaiting Contract Modification for More than 30 Days:	58
Implementation Results	Amount Negotiated: Estimated Cost Avoidance on Future Contracts: \$	\$30,562,427 \$524,331,751